

**CITY OF TAMA, IOWA**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2014**

CITY OF TAMA, IOWA  
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CITY OF TAMA, IOWA  
OFFICIALS  
June 30, 2014

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dan Zimmerman	Mayor	January, 2016
Doug Ray	Council Member	January, 2018
Steve Baier	Council Member	January, 2016
Mike Carnahan	Council Member	January, 2018
Kenny McAdoo	Council Member	January, 2016
Crystal Kaufman	Council Member	January, 2016
Judy Welch	City Clerk	Appointed
Dan Rathjen	City Attorney	Appointed

# Gronewold, Bell, Kyhnn & Co. P.C.

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

City of Tama's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

To the Honorable Mayor and  
Members of the City Council

### **Opinions**

In our opinion, the financial statements referred to above present fairly in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise City of Tama's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2013 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the five years ended June 30, 2009 (none of which are presented herein), were audited by other auditors whose report expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements.

The supplementary information included in page 1 and pages 24 through 32, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 5h and 22 through 23 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

To the Honorable Mayor and  
Members of the City Council

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2014 on our consideration of the City of Tama's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Tama's internal control over financial reporting and compliance.

*Gmewoll, Ben, Kuhn & Co., P.C.*

Atlantic, Iowa  
November 10, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Tama provides this Management's Discussion and Analysis (MD&A) of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements and notes that follow. It should be noted that the information contained here will provide information on both the governmental operations and the business type activities of the City.

### **2014 FINANCIAL HIGHLIGHTS**

- FY 2014 overall receipts decreased by 28.3% or \$1,177,611 from the previous year. The decrease is primarily due to bond proceeds received during FY 2013.
- Overall total disbursements decreased by 31.4% or \$1,391,846 from FY 2013. Again, due to re-issuing pool bonds during FY 2013.
- The City's total cash basis net position decreased 1.6% or \$51,664 from June 30, 2013 to June 30, 2014. Of this amount the net position of governmental activities decreased by \$73,674 or 2.6% and the net position of business type activities increased \$22,010 or 4.4%.
- Fiscal Year 2014 provided the purchase of a rebuilt ambulance; skateboard/basketball court park; engineering for the 9th Street Bridge improvement; and engineering for the Sewer Improvement Project.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statement tells how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other supplementary information provides detailed information about the non-major governmental funds.

## **BASIS OF ACCOUNTING**

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### ***Government-wide Financial Statement***

The Cash Basis Statement of Activities and Net Position informs the reader of how the City is performing financially as a result of the year's activities. Over time increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service and Capital Projects. Property tax, State and Federal grants, investment interest and charges for services finance most of these activities.
- Business Type Activities include the Water and Sewer. These activities are financed primarily by user charges.

### ***Fund Financial Statements***

The City has two kinds of funds:

- Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds which includes Road Use Tax; Urban Renewal Tax Increment and Trust and Agency, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. For the City of Tama this includes the Water and Sewer Funds, which are considered major funds. The Sewer Fund includes funding for Sewer Rehabilitation and the Sewer Revenue Bond Fund. The Water Fund includes the Water Revenue Bond.

The required financial statement for the proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

### Changes in Cash Basis Net Position of Governmental Activities

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>
Receipts:				
Property Tax	\$ 977,606	\$ 911,372	\$ 851,460	\$ 810,706
Tax Increment Financing	6,019	240	9,800	--
Other City Tax	28,488	28,654	26,382	24,913
Local Option Tax	182,148	209,815	152,394	167,427
Use of Money and Property	27,902	34,758	40,330	76,727
Licenses and Permits	23,670	19,993	21,399	22,470
Intergovernmental	471,926	730,294	393,496	747,994
Charges for Service	311,556	340,821	343,635	278,591
Miscellaneous	143,842	151,271	135,543	150,832
Total Receipts	<u>2,173,157</u>	<u>2,427,218</u>	<u>1,974,439</u>	<u>2,279,660</u>
Disbursements:				
Public Safety	830,619	826,533	710,605	661,424
Public Work	529,197	567,921	557,856	446,472
Health and Social Services	4,060	1,771	5,155	8,013
Culture and Recreation	270,807	288,261	285,554	233,054
Community and Economic Development	111,638	532,168	57,421	34,246
General Government	165,055	167,560	156,333	149,633
Debt Service	256,801	1,232,405	255,354	256,101
Capital Projects	88,137	58,682	475,411	222,939
Total Disbursements	<u>2,256,314</u>	<u>3,675,301</u>	<u>2,503,689</u>	<u>2,011,882</u>
Other Financing Sources:				
Proceeds from Debt	--	975,000	--	--
Sales of Assets	10,000	10,000	--	--
Transfers, net	<u>( 517)</u>	<u>( 6,230)</u>	<u>--</u>	<u>--</u>
Change in Cash Basis Net Position	( 73,674)	( 269,313)	( 529,250)	267,778)
Cash Basis Net Position Beginning of Year	<u>2,804,141</u>	<u>3,073,454</u>	<u>3,602,704</u>	<u>3,334,926</u>
Cash Basis Net Position End of Year	<u>\$2,730,467</u>	<u>\$2,804,141</u>	<u>\$3,073,454</u>	<u>\$3,602,704</u>

The City's total receipts for governmental activities decreased by 36.0% or \$1,229,061 from FY 2013 to FY 2014. The decrease basically came from the refunding of the pool bonds in FY 2013 and a decrease in rehab housing project funds.

We note that the fire and ambulance revenue have increased from last year as fire and ambulance entities paid their contracts with us after the fiscal year had closed in FY 2013 placing the revenue in FY 2014 instead of FY 2013.

Local Option Sales Tax (LOST) receipts of \$182,148 supported the Aquatic Center operation, bonds and interest. There was a decrease of \$27,667 of LOST funds from FY 2013 to FY 2014. Bonds and interest for the fiscal year were \$116,008, pool operation supported by the city came to \$54,000 for a total of \$170,008. The additional receipts will be held for future receipt shortfalls or major pool expenditures.

The city received Tax Increment Financing (TIF) for FY 2014 of \$6,019 for prior year downtown projects. The city certified TIF debt for FY 2014 downtown improvements in the form of grants to businesses and downtown landscaping in the amount of \$ 13,787 .

Road Use Tax (RUT) receipts increased \$11,759 in FY 2014 in the amount of \$287,279. This revenue is generated from motor vehicle registration, fees, fuel taxes at the state level.

The total disbursements for all programs and services for governmental activities decreased by 38.6% or \$1,418,987 from the FY 2013 disbursements.

The city is still supporting high work comp rates however, rehab housing projects decreased in FY 2014. The city was approved for another housing grant in which we will see a continued effort to rehab of homes in a different section of the city in FY 2015.

Other areas of expenditures included:

Public Safety: The Police department had no new vehicles purchases in FY2014 which decreased the expenses in the amount of \$41,572.

The Fire department decreased their operating expenses by \$3,518.

The Ambulance department purchased a module for the new ambulance chassis, that was purchased in FY 2013, increasing the expenditures of the ambulance by \$18,831. Funds for new ambulances come from \$50.00 being set aside from each ambulance bill paid by insurance or Medicare.

Public Works - No major purchases were conducted FY 2014. \$30,000 was transferred out of the Road Use Tax Fund to capital projects for the engineering/construction of a new bridge which has a construction date set for the summer of FY 2015.

The City contracts with the City of Traer to do our mosquito spraying. The City of Traer bills the city the year after the summer of spraying. This fiscal year the expense for spraying increased \$2,289 from FY 2013. FY 2013 was a dry year needing less spraying.

Community and Economic Development - A decrease of \$420,530 of expenses - Community Block Grant Housing projects were in the final stages of rehab housing projects, spending \$111,638 in FY 2014 and \$532,168 in FY 2013.

Culture and Recreation - The City of Tama did not resurface the third section of cemetery road at Oak Hill Cemetery as additional funds were not available therefore decreasing expenses for the Cemetery department, approximately \$25,000.

The Northeast Iowa Community Foundation Grant awarded the City \$2,000 in funds for preserving the pillars and fencing at Oak Hill Cemetery. Also, \$1,000 to help purchase 8 new Christmas decorations for the street lights. The expenditure of the decorations will be noted in FY 2015. Then \$750 was received to help purchase 4 new tables for chamber and city events.

The City sponsored other organizations as a pass through for Northeast Iowa Community Foundation Grant funds - they included - Tama Fair Board - \$1,200 ; Tama American Legion - \$2,700; and Tama Toledo Chamber \$1,000.

Capital Projects: Capital projects expenditures increased \$29,555 in 2014. The City of Tama with the help of donations constructed a skateboard park which included a basketball half court. Total cost of the project - \$21,975.

Tax askings for FY 2014 were \$17.64 a \$.38 increase from FY 2013. Other fiscal years the taxes were as follows: FY 2013 - \$17.26; FY 2012 - \$16.41; FY 2011 - \$15.90; FY 2010 - \$15.84; and FY 2009 - \$15.77. Taxable Valuation increased \$2,577,513. In FY 2014 \$134,183 of taxable valuation was used on Tax Increment Financing.

## BUSINESS TYPE ACTIVITIES - FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash net position for business type activities.

### Changes in Cash Basis Net Position of Business Type Activities

	<u>FY 2014</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2011</u>
Receipts:				
Charges for Services:				
Water	\$ 295,488	\$ 257,731	\$ 242,695	\$ 255,447
Water Rev Bond	--	38,817	51,660	36,800
Water Proceeds from Debt	--	--	--	791,142
Sewer	431,091	281,889	227,254	227,527
Sewer Rev Bond	--	107,541	141,336	140,100
Operating Grants, Contributions, Interest	1,567	2,458	3,282	7,564
Other General Receipts	52,516	37,513	50,016	50,016
Miscellaneous	26,264	29,527	46,720	28,674
Total Receipts	<u>806,926</u>	<u>755,476</u>	<u>762,963</u>	<u>1,537,270</u>
Disbursements:				
Water	289,780	297,499	260,331	263,387
Water Project	--	--	--	796,758
Water Rev Bond	51,808	51,750	51,660	44,623
Sewer	232,984	265,655	267,943	281,047
Sewer Rev Bond	144,269	143,388	141,322	140,104
Sewer Rehabilitation	7,102	--	--	--
Sewer Improvement	59,490	--	--	--
Total Disbursements	<u>785,433</u>	<u>758,292</u>	<u>721,256</u>	<u>1,525,919</u>
Change in Cash Basis Net Position Before Transfers	21,493	( 2,816)	41,707	11,351
Transfers, net	<u>517</u>	<u>6,230</u>	<u>--</u>	<u>--</u>
Change in Cash Basis Net Position	22,010	3,414	41,707	11,351
Cash Basis Net Position Beginning of Year	<u>503,330</u>	<u>499,916</u>	<u>458,209</u>	<u>446,858</u>
Cash Basis Net Position End of Year	<u>\$ 525,340</u>	<u>\$ 503,330</u>	<u>\$ 499,916</u>	<u>\$ 458,209</u>

The business type activities receipts for FY 2014 were \$806,926 compared to \$755,476 in FY 2013. An increase of \$51,450.

July 1, 2013 sewer rates were increased by 2% as stated in the city code to \$4.90 per 1,000 gallons based from water consumption and \$10.61 for the base rate; even with this increase in rates the sewer revenue an increase of \$6,866 from FY 2013. This increase not only includes revenue from the rate increase but from a rendering plant using the city sewer and being charged an industrial rate.

July 1, 2013 water rates also increased by 2% to \$12.91 for the first 2,000 gallons and \$2.41 per 1,000 gallons. This resulted in an increase of revenue in the amount of \$7,450.

The City received a Community Development Block Grant for sewer improvements. Additional revenue, through the grant, in the amount of \$ 52,516 was received to offset engineering expenses.

Disbursements in FY 2014 totaled \$785,433 where disbursements of FY 2013 were \$758,292 an increase of \$27,141. Actual sewer and water operation expenses decreased from FY 2013 but due to the engineering cost of the sewer improvement project proved to increase total expenditures. The sewer improvement project construction is scheduled to take place in the summer of FY 2015.

## **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Tama completed the year; its governmental funds reported a combined fund balance of \$2,730,467 a decrease of \$73,674 from FY 2013 balance of \$2,804,141. The following are the main reasons for the changes in fund balances of major funds.

Ending cash balances for the General Fund decreased \$94,553. This is a significant decrease for the general fund. The city was placed on high work comp insurance coverage due to a number of work injuries. Also the city's health insurance premium increased approximately 10%. This caused additional premiums to be taken out of the cash balances in the amount of approximately \$57,747 that was not levied as additional taxes for employee benefits at the time of preparing the budget for FY 2014. The city also loaned or provided grants to downtown businesses in the amount of \$54,000, through downtown revitalization. These funds will be repaid in 10 year loans with interest or the grants will be reimbursed through tax increment financing.

Road Use Tax cash funds increased \$11,158 for FY 2014. The City had purchased a road grader in FY 2013. No large purchases or major street projects were transacted in FY 2014 leaving us an increase in funds at the end of the fiscal year.

The Capital Project cash funds includes cash balances from Capital Projects, Capital Projects-Community Development, Capital Reserves, Water Projects, 9th Street Bridge Project and the Aquatic Center Fund. FY 2014 total ending balance - \$1,883,403. \$1,850,880 was the beginning balance for the fiscal year; an increase of \$32,523. The water project ended in FY 2014 however the city began a new capital project - 9th Street Bridge Improvements. Our share of the project is 20% of the estimated cost of \$525,000. The city transferred funds out of the Road Use Tax Fund in the amount of \$36,459 to the Capital Project 9th Street Bridge Fund for our share of the project. Not all of our share of the project funds had been expended by the end of FY 2014. The bridge project construction will occur in FY 2015.

Cash balances for the Trust and Agency Fund indicated a decrease of \$39,280. The city purchased an ambulance module in the amount of \$62,505 out of ambulance donation funds, therefore decreasing ending cash balances for the Trust and Agency Fund. The Trust and Agency Fund includes Police, Fire, Library, Ambulance, Cemetery and Administration savings from donations and special revenue.

The City's Employee Benefit Fund is used not only for employee benefits in the general fund but for partial self-funding of health insurance. We leave at least an \$18,000 cash balance in the employee benefits fund. If there is any additional cash balance it is transferred to the general fund to be used for employee benefits expenses.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balances decreased \$22,896 (FY-2014 -\$213,875 and FY 2013 - \$236,771). Revenue decreased in FY 2014 for several reasons: the delinquent charges were noted for half of the year and then half the year in the Sewer Fund. The same can be said about the sales tax. All sales tax revenue was deposited into the Water Fund. In FY 2014 the new software program we have distributes the sales tax revenue between water and sewer. In FY 2013 the delinquent charges were entirely deposited in the Water Fund. We collected more revenue for delinquent water bills through property taxes in FY 2013 than in FY 2014. We also note that water deposits decreased slightly.

The Sewer Fund cash balance increased \$25,317. Our biggest savings came from closing out the Sewer Revenue Bond Fund. We did not need to transfer the entire amount needed to pay the last bond note, thus leaving additional funds available in the Sewer Fund. No major projects were expended from the Sewer Fund. The city was approved in FY 2013 for a Community Development Block Grant in the amount of \$600,000 for sewer improvements. The city will have to match the funding. Now that the city's Sewer Revenue Bond is paid in full the city will be able to start construction on the sewer improvements in FY 2015. To have funds available to improve sewer mains the City deposits \$25,000 each year into the Sewer Rehabilitation Fund. The City also deposits \$25,000 each year to the Sewer Replacement Fund to support major projects in the replacement of sewer equipment.

#### **BUDGETARY HIGHLIGHTS**

On November 18, 2013 the City amended the budget to increase expenditures for equipment, insurances, and projects that were funded by grants. This included health insurance, work comp insurance, sewer improvements, bridge improvements, skateboard project, new ambulance module, office equipment and water valves. Revenue supporting these projects came from Block Grants, land sale, donations, and cash balances. Budgeted expenditures increased \$1,728,259. Budgeted revenue increased \$1,524,000.

#### **DEBT ADMINISTRATION**

As of June 30, 2014, the City of Tama had \$2,426,000 in outstanding debt compared to \$2,766,000 at the end of June 2013. Moines generated from local option taxes will pay for the Aquatic Bond issues. In July of 2012 the city refinanced the Aquatic Bonds saving the city approximately \$102,565 over the life of the bonds. The actual savings will not be noted until FY 2015. The Aquatic Bond issue continues through FY 2024. The Sewer Revenue Bond issue will continue until June 2014. The G.O. Improvement bond issue will mature June of 2021. The Water Revenue Bone issue will continue until June 2030.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue up to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,785,000 is below the constitutional debt limit of \$4,693,074 for FY 2014.

Outstanding Debt As Of:

	2014	2013	2012	2011
Sewer Rev. Bond \$1,784,000 Issued December 1992	--	140,000	275,000	404,000
2004 A -Aquatic Bond \$1,165,000 Issued August 1, 2004	--	55,000	840,000	890,000
2004 B- Aquatic Bond \$300,000 Issued August 1, 2004	--	15,000	220,000	235,000
General Oblig. Bond \$1,500,000 Issued August 1, 2006	810,000	910,000	1,005,000	1,095,000
Water Rev. Bond \$755,000 Issued December 9, 2009*	641,000	671,000	700,000	728,000
G.O. Refunding Bonds Pool \$975,000 Issued July 1, 2012	975,000	975,000	--	--
	2,426,000	2,766,000	3,040,000	3,352,000

\* The Debt amount changed project expended less than approved at the beginning of the project.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

With the completion of a rehabilitation home grant in FY 2013 we applied again to do more rehabbing of homes but in another section of the town. We have been approved and will see approximately 8 homes improved in FY 2015.

In FY 2014 one new home was constructed. At the close of FY2014, three home owners were in the process of purchasing land from the city in order to construct new homes.

The city does offer incentives to owners of businesses such as grants to improve their facade or the interior of their building. Six months of water bills are also waived for new businesses owners. We have also loaned funds for business owners to upgrade their building which has proved beneficial. The city provided some loan and grant funds in FY2014 improving two downtown buildings for apartments on the upper levels and retail on the ground floor.

A grant has been received for sewer improvements which we should see the bulk of the work done in FY 2015.

The City is providing Tax Increment Financing (TIF) in the form of a tax rebate to Iowa Premium Beef who started major construction in January 2014 at the abandoned beef plant in Tama. The beef plant plans to be in operation by the fall of 2014. We are excited about the new job opportunities this plant will provide for our citizens and new comers to the Tama area. The TIF tax rebate is a rebate of 100% tax improvement dollars for the first five years of the plant and then a graduating scale of the rebate the following five years. This TIF rebate has been approved for the next ten years in an amount not to exceed \$5.8 million.

FY 2015 budget the property tax levy will be at \$18.44. This is an \$.80 increase from FY 2014. The tax increase indicates increases in employee benefits. Taxable valuation increased \$1,162,138.

## CONTACTING THE CITY'S FINANCIAL DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any question about this report or need additional financial information contact the Tama City Clerk Judy Welch, 305 Siegel Street, Tama, Iowa 52339.

CITY OF TAMA, IOWA  
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS

As of and for the year ended June 30, 2014

		Program Receipts	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 830,619	\$ 318,829	\$ 30,247
Public works	529,197	58,882	287,279
Health and social services	4,060	--	--
Culture and recreation	270,807	24,760	25,360
Community and economic development	111,638	10,703	55,320
General government	165,055	19,917	--
Debt service	256,801	--	--
Capital projects	88,137	--	55,324
Total governmental activities	<u>2,256,314</u>	<u>433,091</u>	<u>453,530</u>
Business type activities:			
Water	341,588	295,488	--
Sewer	443,845	431,091	--
Total business type activities	<u>785,433</u>	<u>726,579</u>	<u>--</u>
Total	<u>\$ 3,041,747</u>	<u>\$ 1,159,670</u>	<u>\$ 453,530</u>
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted interest on investments			
Miscellaneous			
Sale of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ ( 481,543)	\$ --	\$ ( 481,543)
--	( 183,036)	--	( 183,036)
--	( 4,060)	--	( 4,060)
--	( 220,687)	--	( 220,687)
--	( 45,615)	--	( 45,615)
--	( 145,138)	--	( 145,138)
--	( 256,801)	--	( 256,801)
--	( 32,813)	--	( 32,813)
--	( 1,369,693)	--	( 1,369,693)
--	--	( 46,100)	( 46,100)
52,516	--	39,762	39,762
52,516	--	( 6,338)	( 6,338)
\$ 52,516	( 1,369,693)	( 6,338)	( 1,376,031)
	864,815	--	864,815
	141,279	--	141,279
	6,019	--	6,019
	182,148	--	182,148
	27,902	1,567	29,469
	64,373	26,264	90,637
	10,000	--	10,000
	( 517)	517	--
	1,296,019	28,348	1,324,367
	( 73,674)	22,010	( 51,664)
	2,804,141	503,330	3,307,471
\$ 2,730,467	\$ 525,340	\$ 3,255,807	



CITY OF TAMA, IOWA  
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS - Continued

As of and for the year ended June 30, 2014

		<u>Program Receipts</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Cemetery perpetual care		
Expendable:		
Debt service		
Streets		
Employee benefits		
Capital projects		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
	\$ 58,871	\$ --	\$ 58,871
	2,241	42,075	44,316
	182,766	--	182,766
	18,692	--	18,692
	1,883,403	--	1,883,403
	191,313	--	191,313
	<u>393,181</u>	<u>483,265</u>	<u>876,446</u>
	<u>\$ 2,730,467</u>	<u>\$ 525,340</u>	<u>\$ 3,255,807</u>

CITY OF TAMA, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>
Receipts:		
Property tax	\$ 501,206	\$ 137,281
Tax increment financing	--	--
Other city tax	14,583	3,998
Licenses and permits	23,670	--
Use of money and property	21,002	--
Intergovernmental	129,323	--
Charges for service	311,556	--
Miscellaneous	66,751	--
Total receipts	<u>1,068,091</u>	<u>141,279</u>
Disbursements:		
Operating:		
Public safety	760,915	--
Public works	284,871	--
Health and social services	4,060	--
Culture and recreation	241,539	--
Community and economic development	105,138	--
General government	161,666	--
Debt service	--	256,801
Capital projects	--	--
Total disbursements	<u>1,558,189</u>	<u>256,801</u>
Excess (deficiency) of receipts over (under) disbursements	( 490,098)	( 115,522)
Other financing sources (uses):		
Sale of real property	--	--
Operating transfers in	407,291	116,008
Operating transfers out	( 11,746)	--
Total other financing sources (uses)	<u>395,545</u>	<u>116,008</u>
Net change in cash balances	( 94,553)	486
Cash balances beginning of year	<u>487,734</u>	<u>1,755</u>
Cash balances end of year	<u>\$ 393,181</u>	<u>\$ 2,241</u>

(continued next page)

Special Revenue		Capital Projects	Nonmajor	Total
Road Use Tax	Employee Benefits			
\$ --	\$ 339,119	\$ --	\$ --	\$ 977,606
--	--	--	6,019	6,019
--	9,907	--	182,148	210,636
--	--	--	--	23,670
--	386	5,419	1,095	27,902
287,279	--	55,324	--	471,926
--	--	--	--	311,556
--	--	22,038	55,053	143,842
<u>287,279</u>	<u>349,412</u>	<u>82,781</u>	<u>244,315</u>	<u>2,173,157</u>
--	1,500	--	68,204	830,619
239,661	4,665	--	--	529,197
--	--	--	--	4,060
--	1,500	--	27,768	270,807
--	--	--	6,500	111,638
--	3,000	--	389	165,055
--	--	--	--	256,801
--	--	88,137	--	88,137
<u>239,661</u>	<u>10,665</u>	<u>88,137</u>	<u>102,861</u>	<u>2,256,314</u>
47,618	338,747	( 5,356)	141,454	( 83,157)
--	--	10,000	--	10,000
--	--	69,564	9,125	601,988
( 36,460)	( 337,060)	( 41,685)	( 175,554)	( 602,505)
<u>( 36,460)</u>	<u>( 337,060)</u>	<u>37,879</u>	<u>( 166,429)</u>	<u>9,483</u>
11,158	1,687	32,523	( 24,975)	( 73,674)
<u>171,608</u>	<u>17,005</u>	<u>1,850,880</u>	<u>275,159</u>	<u>2,804,141</u>
<u>\$ 182,766</u>	<u>\$ 18,692</u>	<u>\$ 1,883,403</u>	<u>\$ 250,184</u>	<u>\$ 2,730,467</u>

CITY OF TAMA, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES - Continued  
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

	<u>General</u>	<u>Debt Service</u>
Cash Basis Fund Balances		
Nonspendable - Cemetery perpetual care	\$ --	\$ --
Restricted for:		
Debt service	--	2,241
Streets	--	--
Employee benefits	--	--
Capital projects	--	--
Other purposes	--	--
Unassigned	<u>393,181</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 393,181</u>	<u>\$ 2,241</u>

The accompanying notes are an integral part of these statements.

<u>Special Revenue</u>		<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<u>Road Use Tax</u>	<u>Employee Benefits</u>			
\$ --	\$ --	\$ --	\$ 58,871	\$ 58,871
--	--	--	--	2,241
182,766	--	--	--	182,766
--	18,692	--	--	18,692
--	--	1,883,403	--	1,883,403
--	--	--	191,313	191,313
--	--	--	--	393,181
<u>\$ 182,766</u>	<u>\$ 18,692</u>	<u>\$ 1,883,403</u>	<u>\$ 250,184</u>	<u>\$ 2,730,467</u>

CITY OF TAMA, IOWA  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2014

	Enterprise	
	Water Fund	Sewer Fund
Operating Receipts:		
Intergovernmental	\$ --	\$ --
Charges for service	295,488	431,091
Total operating receipts	<u>295,488</u>	<u>431,091</u>
Operating Disbursements:		
Business type activities	289,780	232,984
Total operating disbursements	<u>289,780</u>	<u>232,984</u>
Excess (deficiency) of receipts over (under) disbursements	5,708	198,107
Non-operating receipts (disbursements):		
Interest on investments	747	820
Miscellaneous	21,940	4,324
Debt service	--	--
Capital projects	--	--
Total non-operating receipts (disbursements), net	<u>22,687</u>	<u>5,144</u>
Excess (deficiency) of receipts over (under) disbursements	28,395	203,251
Operating transfers in	517	--
Operating transfers out	( 51,808)	( 177,934)
Total operating transfers in (out), net	<u>( 51,291)</u>	<u>( 177,934)</u>
Net change in cash balances	( 22,896)	25,317
Cash balances beginning of year	<u>236,771</u>	<u>26,076</u>
Cash balances end of year	<u>\$ 213,875</u>	<u>\$ 51,393</u>
Cash Basis Fund Balances		
Restricted for debt service	\$ --	\$ --
Unrestricted	<u>213,875</u>	<u>51,393</u>
Total cash basis fund balances	<u>\$ 213,875</u>	<u>\$ 51,393</u>

The accompanying notes are an integral part of these statements.

<u>Sewer Replacement</u>	<u>Enterprise</u>	
	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 52,516	\$ 52,516
--	--	726,579
--	52,516	779,095
--	--	522,764
--	--	522,764
--	52,516	256,331
--	--	1,567
--	--	26,264
--	( 196,077)	( 196,077)
--	( 66,592)	( 66,592)
--	( 262,669)	( 234,838)
--	( 210,153)	21,493
25,000	204,742	230,259
--	--	( 229,742)
25,000	204,742	517
25,000	( 5,411)	22,010
138,250	102,233	503,330
<u>\$ 163,250</u>	<u>\$ 96,822</u>	<u>\$ 525,340</u>
\$ --	\$ 42,075	\$ 42,075
163,250	54,747	483,265
<u>\$ 163,250</u>	<u>\$ 96,822</u>	<u>\$ 525,340</u>



CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tama, Iowa is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Tama has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Tama (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The following component unit is an entity which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported and budgeted as part of the City as a permanent fund.

The Oak Hill Cemetery Association is a nonprofit corporation established under Title 3, Chapter 5 of the City of Tama Code to beautify, adorn, and keep in good order the Oak Hill Cemetery. Although the association is legally separate from the City, it is controlled, managed, and supervised by the City of Tama, City Council. The Oak Hill Cemetery Association is reported as a permanent fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County E911 Service Board, Tama County Solid Waste Disposal Commission, Tama County Economic Development Commission, and Tama-Toledo Swimming Pool Board.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

**B. Basis of Presentation**

**Government-wide Financial Statements**

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

**Fund Financial Statements**

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental funds or nonmajor enterprise funds, respectively.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for the payment of payroll taxes and other employee benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects fund is used to account for the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Sewer Replacement Fund accounts for the resources used in the replacement of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Tama maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

NOTE 2 - CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the City had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
United States Savings Bonds Series HH	\$ 30,500	\$ 30,500

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 185,000	\$ 51,804	\$ 31,000	\$ 19,230	\$ 216,000	\$ 71,034
2016	195,000	46,859	32,000	18,300	227,000	65,159
2017	210,000	41,474	33,000	17,340	243,000	58,814
2018	215,000	35,579	34,000	16,350	249,000	51,929
2019	220,000	29,204	36,000	15,330	256,000	44,534
2020 - 2024	760,000	51,538	196,000	59,850	956,000	111,388
2025 - 2029	--	--	229,000	28,560	229,000	28,560
2030	--	--	50,000	1,500	50,000	1,500
	<u>\$ 1,785,000</u>	<u>\$ 256,458</u>	<u>\$ 641,000</u>	<u>\$ 176,460</u>	<u>\$ 2,426,000</u>	<u>\$ 432,918</u>

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,784,000 in sewer revenue bonds issued in October, 1993. Proceeds from the bonds provided financing for the repair and improvement of the sewer system. The bonds were payable solely from sewer customer net receipts and were payable through October, 2013. For the current year, principal and interest paid and total customer net receipts were approximately \$144,200 and \$198,107, respectively.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds issued in December, 2009. Proceeds from the bonds provided financing for the repair and improvement of the water system. The bonds are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the bonds are expected to require greater than 100 percent of the net receipts. The total principal and interest remaining to be paid on the bonds is \$817,460. For the current year, principal and interest paid and total customer net receipts were approximately \$50,130 and \$5,708, respectively. Existing net position is used to meet debt service payments in years when the net receipts are not sufficient.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- a. The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly deposits and transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

NOTE 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were approximately \$71,300, \$66,600, and \$63,100, respectively, equal to the required contribution for each year.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 4 - PENSION AND RETIREMENT BENEFITS - Continued

The City offers its employees a deferred compensation plan as allowed by Internal Revenue Code Section 457. The plan allows City employees to defer a portion of their current salary until future years. The City's accounting and personnel departments are responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions, and timely transfer of withheld funds to the independent contractor for investment. The plan is designed so that each participant retains investment control of his/her individual account. The employees become eligible to withdraw funds upon termination, retirement, death or unforeseeable emergency.

The City's fiduciary responsibility is limited to due care in selecting contractors to administer the Plan. These contractors are responsible for withholdings and W-2s when the participants receive payments. The contractors are also required to submit an annual report to the City. The City is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant. The Plan assets are not included in the financial statements since the City does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate vacation and sick leave hours based on the length of their employment. Sick leave is not a vested benefit. It is payable when used and may be accumulated to a maximum of 90 days. Vacation is payable when used and is cumulative only in isolated cases specifically approved by the City Council. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2014, primarily related to the General Fund, totaled \$ 28,850. This liability has been computed based on rates of pay in effect at June 30, 2014.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
	Employee Benefits	337,060
	TIF	5,546
	Capital Projects:	
	Capital Projects	10,685
		<u>407,291</u>
Special Revenue:	General Fund:	
Trust & Agency	General	9,125
Capital Projects:	General	2,104
	Special Revenue:	
	Road Use Tax	36,460
	Capital Projects:	
	Capital Projects-Comm. Dev.	15,000
	Capital Projects	16,000
		<u>69,564</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	116,008
Enterprise Fund:		
Water	General	517
Enterprise Fund:	Enterprise Fund:	
Water Revenue Bonds	Water	51,808
Enterprise Fund:	Enterprise Fund:	
Sewer Rehabilitation	Sewer	25,000
Enterprise Fund:	Enterprise Fund:	
Sewer Replacement	Sewer	25,000
Enterprise Fund:	Enterprise Fund:	
Sewer Revenue Bond	Sewer	<u>127,934</u>
		<u>\$ 832,247</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.



CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 7 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There has been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2014 were approximately \$18,500.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 7 - RISK MANAGEMENT - Continued

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation, and property coverage and automobile liability in the amount of \$500,000, \$9,894,568, and \$1,000,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

**Plan Description:** The City operates a single-employer health benefit plan which provides medical benefits for employees and retirees. There are 14 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefits as active employees.

**Funding Policy:** The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$541 for single coverage and \$1,646 for family coverage. The City pays the entire amount of the premium. For the year ended June 30, 2014, the City contributed \$219,600 to the plan.

NOTE 9 - DEFICIT BALANCE

The Sewer Improvement Project Fund had a deficit balance of \$6,974 at June 30, 2014. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state funds.

CITY OF TAMA, IOWA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

NOTE 10 - COMMITMENTS AND CONTINGENCY

Capital Commitments

The City has committed funds for the purchase of various equipment items, tuck-pointing at the library, a bridge project, and a sewer project with an estimated cost of \$649,500. All purchases will be financed with the use of existing funds.

Subsequent Events

The City has evaluated all subsequent events through November 10, 2014, the date the financial statements were available to be issued.

NOTE 11 - PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

\* \* \*

## OTHER INFORMATION

CITY OF TAMA, IOWA  
BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL  
FUNDS AND PROPRIETARY FUNDS  
OTHER INFORMATION

Year ended June 30, 2014

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 977,606	\$ --	\$ 977,606
Tax increment financing	6,019	--	6,019
Other city tax	210,636	--	210,636
Licenses and permits	23,670	--	23,670
Use of money and property	27,902	1,567	29,469
Intergovernmental	471,926	52,516	524,442
Charges for service	311,556	726,579	1,038,135
Miscellaneous	143,842	26,264	170,106
Total receipts	<u>2,173,157</u>	<u>806,926</u>	<u>2,980,083</u>
Disbursements:			
Public safety	830,619	--	830,619
Public works	529,197	--	529,197
Health and social services	4,060	--	4,060
Culture and recreation	270,807	--	270,807
Community and economic development	111,638	--	111,638
General government	165,055	--	165,055
Debt service	256,801	--	256,801
Capital projects	88,137	--	88,137
Business type activities	--	785,433	785,433
Total disbursements	<u>2,256,314</u>	<u>785,433</u>	<u>3,041,747</u>
Excess (deficiency) of receipts over (under) disbursements	( 83,157)	21,493	( 61,664)
Other financing sources (uses), net	<u>9,483</u>	<u>517</u>	<u>10,000</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	( 73,674)	22,010	( 51,664)
Balances beginning of year	<u>2,804,141</u>	<u>503,330</u>	<u>3,307,471</u>
Balances end of year	<u>\$ 2,730,467</u>	<u>\$ 525,340</u>	<u>\$ 3,255,807</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		<u>Final to Total</u>
<u>Original</u>	<u>Final</u>	<u>Variance</u>
\$ 977,310	\$ 977,310	\$ 296
5,547	5,547	472
198,185	198,185	12,451
20,550	20,550	3,120
62,516	40,730	( 11,261)
493,993	1,968,643	( 1,444,201)
1,136,396	1,102,546	( 64,411)
46,850	131,836	38,270
<u>2,941,347</u>	<u>4,445,347</u>	<u>( 1,465,264)</u>
832,620	935,585	104,966
526,395	554,275	25,078
12,500	12,500	8,440
303,011	318,810	48,003
195,600	195,600	83,962
160,919	181,374	16,319
257,802	257,802	1,001
33,000	555,200	467,063
751,170	1,790,130	1,004,697
<u>3,073,017</u>	<u>4,801,276</u>	<u>1,759,529</u>
( 131,670)	( 355,929)	294,265
<u>--</u>	<u>20,000</u>	<u>( 10,000)</u>
( 131,670)	( 335,929)	284,265
<u>2,978,203</u>	<u>3,307,196</u>	<u>275</u>
<u>\$ 2,846,533</u>	<u>\$ 2,971,267</u>	<u>\$ 284,540</u>

CITY OF TAMA, IOWA  
NOTES TO OTHER INFORMATION -  
BUDGETARY REPORTING

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, the Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, the budget amendment increased budgeted disbursements by \$1,728,259. The budget amendment is reflected in the final budgeted amount.

## SUPPLEMENTARY INFORMATION



CITY OF TAMA, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2014

	<u>Special Revenue</u>		
	<u>Local Option Sales Tax</u>	<u>Trust &amp; Agency</u>	<u>Tax Increment Financing</u>
Receipts:			
Tax increment financing	\$ --	\$ --	\$ 6,019
Other city tax	182,148	--	--
Use of money and property	--	389	--
Miscellaneous	--	54,053	--
Total receipts	<u>182,148</u>	<u>54,442</u>	<u>6,019</u>
Disbursements:			
Operating:			
Public safety	--	68,204	--
Culture and recreation	--	27,754	--
Community and economic development	--	6,500	--
General government	--	389	--
Total disbursements	<u>--</u>	<u>102,847</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	182,148	( 48,405)	6,019
Other financing sources (uses):			
Operating transfers in	--	9,125	--
Operating transfers out	( 170,008)	--	( 5,546)
Total other financing sources (uses)	<u>( 170,008)</u>	<u>9,125</u>	<u>( 5,546)</u>
Net change in cash balances	12,140	( 39,280)	473
Cash balances, beginning of year	<u>37,047</u>	<u>180,933</u>	<u>--</u>
Cash balances, end of year	<u>\$ 49,187</u>	<u>\$ 141,653</u>	<u>\$ 473</u>

(continued next page)

<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ --	\$ 6,019
--	182,148
706	1,095
<u>1,000</u>	<u>55,053</u>
<u>1,706</u>	<u>244,315</u>
--	68,204
14	27,768
--	6,500
--	389
<u>14</u>	<u>102,861</u>
1,692	141,454
--	9,125
<u>--</u>	<u>( 175,554)</u>
<u>--</u>	<u>( 166,429)</u>
1,692	( 24,975)
<u>57,179</u>	<u>275,159</u>
<u>\$ 58,871</u>	<u>\$ 250,184</u>

CITY OF TAMA, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2014

	<u>Special Revenue</u>		
	<u>Local Option Sales Tax</u>	<u>Trust &amp; Agency</u>	<u>Tax Increment Financing</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ --	\$ --	\$ --
Restricted for:			
Other purposes	<u>49,187</u>	<u>141,653</u>	<u>473</u>
Total cash basis fund balances	<u>\$ 49,187</u>	<u>\$ 141,653</u>	<u>\$ 473</u>

See accompanying independent auditor's report.

<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
\$ 58,871	\$ 58,871
<u>--</u>	<u>191,313</u>
<u>\$ 58,871</u>	<u>\$ 250,184</u>

CITY OF TAMA, IOWA  
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES  
NON-MAJOR ENTERPRISE FUNDS

As of and for the year ended June 30, 2014

	<u>Water Revenue Bond</u>	<u>Sewer Rehabilitation</u>
Receipts:		
Intergovernmental	\$       --	\$       --
Total operating receipts	--	--
Non-operating receipts (disbursements):		
Debt service	(     51,808)	--
Capital projects	--	(     7,102)
Total non-operating receipts (disbursements)	(     51,808)	(     7,102)
Excess (deficiency) of receipts over (under) disbursements	(     51,808)	(     7,102)
Operating transfers in	51,808	25,000
Total operating transfers in (out), net	51,808	25,000
Net change in cash balances	--	17,898
Cash balance beginning of year	42,075	43,823
Cash balance end of year	<u>\$     42,075</u>	<u>\$     61,721</u>
Cash Basis Fund Balances		
Restricted for debt service	\$     42,075	\$       --
Unrestricted	--	61,721
Total cash basis fund balances	<u>\$     42,075</u>	<u>\$     61,721</u>

See accompanying independent auditor's report.

## Schedule 2

<u>Sewer Revenue Bond</u>	<u>Sewer Improvement Project</u>	<u>Total</u>
\$ --	\$ 52,516	\$ 52,516
--	52,516	52,516
( 144,269)	--	( 196,077)
--	( 59,490)	( 66,592)
<u>( 144,269)</u>	<u>( 59,490)</u>	<u>( 262,669)</u>
( 144,269)	( 6,974)	( 210,153)
127,934	--	204,742
<u>127,934</u>	<u>--</u>	<u>204,742</u>
( 16,335)	( 6,974)	( 5,411)
16,335	--	102,233
<u>\$ --</u>	<u>\$( 6,974)</u>	<u>\$ 96,822</u>
\$ --	\$ --	\$ 42,075
--	( 6,974)	54,747
<u>\$ --</u>	<u>\$( 6,974)</u>	<u>\$ 96,822</u>

CITY OF TAMA, IOWA  
SCHEDULE OF INDEBTEDNESS  
Year ended June 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds:			
Corporate Purpose Bonds Series 2006	August 1, 2006	4.00% - 4.63%	\$ 1,500,000
Aquatics Center Notes Series 2004A	August 1, 2004	2.25% - 4.75%	1,165,000
Aquatics Center Notes Series 2004B	August 1, 2004	2.75% - 5.00%	300,000
Refunding Bond Series 2012	July 1, 2012	0.70% - 2.50%	975,000
Total			
Revenue Bonds:			
State revolving fund loans:			
Sewer	October 1, 1993	3.00%	1,784,000
Water	December 9, 2009	3.00%	836,000
Total			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 910,000	\$ --	\$ 100,000	\$ 810,000	\$ 40,794	\$ 3,041
55,000	--	55,000	--	35,347	--
15,000	--	15,000	--	9,660	--
<u>975,000</u>	<u>--</u>	<u>--</u>	<u>975,000</u>	<u>--</u>	<u>1,276</u>
<u>\$ 1,955,000</u>	<u>\$ --</u>	<u>\$ 170,000</u>	<u>\$ 1,785,000</u>	<u>\$ 85,801</u>	<u>\$ 4,317</u>
\$ 140,000	\$ --	\$ 140,000	\$ --	\$ 4,200	\$ --
<u>671,000</u>	<u>--</u>	<u>30,000</u>	<u>641,000</u>	<u>20,130</u>	<u>1,602</u>
<u>\$ 811,000</u>	<u>\$ --</u>	<u>\$ 170,000</u>	<u>\$ 641,000</u>	<u>\$ 24,330</u>	<u>\$ 1,602</u>



CITY OF TAMA, IOWA  
BOND AND NOTE MATURITIES  
June 30, 2014

Year ending June 30,	General Obligation Bonds and Notes				
	Corporate Purpose Bond Series 2006		Refunding Bond Series 2012		Total
	Issued August 1, 2006		Issued July 1, 2012		
	Interest Rates	Amount	Interest Rates	Amount	
2015	4.35%	\$ 100,000	0.70%	\$ 85,000	\$ 185,000
2016	4.40%	105,000	0.90%	90,000	195,000
2017	4.45%	110,000	1.10%	100,000	210,000
2018	4.50%	115,000	1.30%	100,000	215,000
2019	4.55%	120,000	1.50%	100,000	220,000
2020	4.60%	125,000	1.70%	100,000	225,000
2021	4.63%	135,000	1.90%	100,000	235,000
2022			2.10%	100,000	100,000
2023			2.30%	100,000	100,000
2024			2.50%	100,000	100,000
2025					
2026					
2027					
2028					
2029					
2030					
		<u>\$ 810,000</u>		<u>\$ 975,000</u>	<u>\$1,785,000</u>

See accompanying independent auditor's report.

State Revolving Fund Notes	
Water Revenue Bonds	
Issued December 9, 2009	
Interest Rates	Amount
3.00%	\$ 31,000
3.00%	32,000
3.00%	33,000
3.00%	34,000
3.00%	36,000
3.00%	37,000
3.00%	38,000
3.00%	39,000
3.00%	40,000
3.00%	42,000
3.00%	43,000
3.00%	44,000
3.00%	46,000
3.00%	47,000
3.00%	49,000
3.00%	50,000
	<u>\$ 641,000</u>

CITY OF TAMA, IOWA  
SCHEDULE OF RECEIPTS BY SOURCE AND  
DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
For the Last Ten Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Receipts:				
Property tax	\$ 977,606	\$ 911,372	\$ 851,460	\$ 810,706
Tax increment financing	6,019	240	9,800	--
Other city tax	210,636	238,469	178,776	192,340
Licenses and permits	23,670	19,993	21,399	22,470
Use of money and property	27,902	34,758	40,330	76,727
Intergovernmental	471,926	730,294	393,496	747,994
Charges for service	311,556	340,821	343,635	278,591
Miscellaneous	<u>143,842</u>	<u>151,271</u>	<u>135,543</u>	<u>150,832</u>
Total	<u>\$ 2,173,157</u>	<u>\$ 2,427,218</u>	<u>\$ 1,974,439</u>	<u>\$ 2,279,660</u>
Disbursements:				
Operating:				
Public safety	\$ 830,619	\$ 826,533	\$ 710,605	\$ 661,424
Public works	529,197	567,921	557,856	446,472
Health and social services	4,060	1,771	5,155	8,013
Culture and recreation	270,807	288,261	285,554	233,054
Community and economic development	111,638	532,168	57,421	34,246
General government	165,055	167,560	156,333	149,633
Debt service	256,801	1,232,405	255,354	256,101
Capital projects	<u>88,137</u>	<u>58,682</u>	<u>475,411</u>	<u>222,939</u>
Total	<u>\$ 2,256,314</u>	<u>\$ 3,675,301</u>	<u>\$ 2,503,689</u>	<u>\$ 2,011,882</u>

See accompanying independent auditor's report.

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 796,693	\$ 801,098	\$ 712,597	\$ 702,341	\$ 700,983	\$ 641,617
280	14,346	146,711	45,112	584	30,210
191,856	190,769	188,009	188,492	163,440	157,064
21,432	23,201	22,074	19,356	18,908	19,794
98,575	115,714	133,115	133,508	101,270	118,227
436,193	365,229	320,417	304,191	328,713	364,766
305,211	275,908	216,762	220,532	205,672	223,582
<u>126,244</u>	<u>138,064</u>	<u>130,476</u>	<u>105,671</u>	<u>111,858</u>	<u>246,191</u>
<u>\$ 1,976,484</u>	<u>\$ 1,924,329</u>	<u>\$ 1,870,161</u>	<u>\$ 1,719,203</u>	<u>\$ 1,631,428</u>	<u>\$ 1,801,451</u>
\$ 662,443	\$ 619,137	\$ 652,322	\$ 591,352	\$ 621,918	\$ 593,193
462,054	493,610	393,019	380,275	407,346	386,834
5,918	5,902	5,148	5,308	3,439	4,089
231,711	222,852	212,392	198,534	195,941	169,609
13,952	19,618	22,295	26,434	24,990	22,277
145,019	142,122	137,601	130,406	130,434	127,852
256,496	251,516	256,386	244,857	249,958	186,362
<u>258,189</u>	<u>219,250</u>	<u>257,080</u>	<u>940,624</u>	<u>469,942</u>	<u>1,460,820</u>
<u>\$ 2,035,782</u>	<u>\$ 1,974,007</u>	<u>\$ 1,936,243</u>	<u>\$ 2,517,790</u>	<u>\$ 2,103,968</u>	<u>\$ 2,951,036</u>

CITY OF TAMA, IOWA  
 SCHEDULE OF SEWER SERVICE CHARGES  
 Year ended June 30, 2014

	<u>Category A</u>	<u>Category B</u>
Criteria:	Users who discharge normal domestic strength wastewater	Users who discharge concentration levels greater than Category A users
Allowable concentration levels:	BOD* no greater than 300 mg/l Suspended solids no greater than 350 mg/l Ammonia nitrogen no greater than 40 mg/l	
Fixed monthly charge:	\$10.61	\$10.61
Volume charge:	\$4.91/1,000 gallons	\$4.91/1,000 gallons
Surcharge for concentration levels exceeding Category A:		BOD* \$0.32/lb suspended solids \$0.17/lb ammonia nitrogen \$1.16/lb

\* Biochemical oxygen demand

See accompanying independent auditor's report.

CITY OF TAMA, IOWA  
SCHEDULE OF INSURANCE IN FORCE  
Year ended June 30, 2014

<u>Insurer</u>	<u>Policy Number</u>	<u>Type of Coverage</u>
Liberty Mutual	WC5-34S-532231-014	Workers' Compensation Employer's Liability
Continental Western Group	PEP 2979305-22 PEP 2979305-22 PEP 2979305-22	Commercial property Auto Commercial Inland Marine and scheduled property
Iowa Communities Assurance Pool	0019	General Liability/ Officials Liability Law Enforcement Liability Fidelity bond

See accompanying independent auditor's report.

<u>Policy Period</u>	<u>Exposure Coverage</u>	<u>Amount of Coverage</u>
4/1/14 to 4/1/15	Worker's Compensation All Employees	Statutory \$500,000/Accident \$500,000/Employee \$500,000/Policy Limit
4/1/14 to 4/1/15	Property Damage	\$9,894,568 Policy Limit
4/1/14 to 4/1/15	Auto Liability	\$1,000,000 Liability
4/1/14 to 4/1/15	Non Real Estate Property	\$490,755/Occurrence
4/1/14 to 4/1/15	General Liability	\$2,000,000
	Officials Liability	\$2,000,000
	Law Enforcement Liability	\$2,000,000
1/1/14 to 1/1/15	Employee Performance	\$50,000

CITY OF TAMA, IOWA  
SCHEDULE OF LEGAL DEBT MARGIN  
June 30, 2014

Valuation of City as of January 1, 2012	\$ 93,861,473
Legal debt limitation percentage	<u>5%</u>
Legal debt limitation	4,693,074
General obligation indebtedness outstanding as of June 30, 2014	<u>1,785,000</u>
Legal Debt Margin	<u>\$ 2,908,074</u>

See accompanying independent auditor's report.



## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Tama, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Tama's internal control over financial reporting to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tama's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tama's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

To the Honorable Mayor and  
Members of the City Council

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 14-I-A to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Tama's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Responses to Findings**

The City of Tama's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Tama's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ben, Kylan & Co. P.C.*

Atlantic, Iowa  
November 10, 2014

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2014

PART I: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

- 14-I-A Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. However, because there are a limited number of people that have the primary responsibility for the accounting and financial duties, those aspects of internal accounting control which rely upon an adequate segregation of duties are missing in the City.

Recommendation: We recommend that the City review its control procedures to obtain the maximum internal control possible under the circumstances and the Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: We will continue work in this area to increase segregation of duties.

Conclusion: Response accepted.

\* \* \*

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2014

PART II: Other Findings Related to Statutory Reporting

- 14-II-A Certified Budget: Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.
- 14-II-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 14-II-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.
- 14-II-D Business Transactions: In accordance with Chapter 362.5(3) of the Code of Iowa, no transactions between the City and the City officials and City employees were noted that represented conflicts of interest.
- 14-II-E Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 14-II-F Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.
- 14-II-G Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

CITY OF TAMA, IOWA

Schedule of Findings

Year ended June 30, 2014

PART II: Other Findings Related to Statutory Reporting - Continued

- 14-II-H Revenue Bonds: No instances of non-compliance with revenue bond and note resolutions were noted, except the City has not prepared its financial statements using the accrual method of accounting, including a balance sheet, as of June 30, 2012 as required by one of its revenue bonds. This requirement is contrary to the City's normal cash basis method of reporting.

Recommendation: The City should obtain a waiver from this provision.

Response: The City will try to obtain a waiver from this provision.

Conclusion: Response accepted.

- 14-II-I Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

- 14-II-J Financial Condition: The Sewer Improvement Project Fund had a deficit balance of \$6,974 at June 30, 2014.

Recommendation: The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response: The deficit was due to construction costs incurred prior to receipt of state funds. The deficit was subsequently eliminated.

Conclusion: Response accepted.

\* \* \*